Agenda Item 6

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Legislation Committee

DATE: February 8, 2008

FR: Executive Director

RE: Proposed FY 2008-09 Federal Budget

President Bush's proposed FY 2008-09, and last, budget was released this week. The transportation budget deviates from certain highway and transit provisions of SAFETEA, with some significant new diversions, budget cuts and repeat proposals that have gone down to bipartisan defeat in past years suggested yet again.

Highway Funding

President Bush's FY 2009 budget requests a highway funding amount for the core federal-aid highway program of $39.4 billion as compared with a final enacted level of $41.2 billion in 2008, a cut of $1.8 billion, or a reduction of about 4.4 percent. The proposed highway number is also $1.8 billion less than the $41.2 billion called for under SAFETEA.

In addition to the core Highway program, the budget includes the annual $739 million in highway obligations for specific programs outside the core program making the total gross highway spending from this proposal $40.1 billion. The President's budget also provides for a new Metropolitan Congestion program of $100 million and $75 million for a new Corridors of the Future program for 2009.

There are two primary reasons for the cuts to the core highway program. First, Highway Trust Fund revenues are down. This is related to a slowdown of the economy that affects certain excise taxes plus a dip in fuel consumption and the resulting decline in revenues. The budgetary device that accounts for the reduction is called the Revenue Aligned Budget Authority (RABA) calculation, which has reduced funding by $1 billion. Last year's RABA calculation cut revenues by $631 million.

Second, the White House reduced the 2009 proposal by an additional $800 million because the extra $1 billion added for bridges in 2008 in the wake of the Minneapolis bridge collapse exceeded the total ceiling for obligations agreed to when the President signed SAFETEA. The White House proposes to cut a total of $1 billion in 2009 to make up for the extra $1 billion for bridges in 2008 -- $800 million would come out of highways and the other $200 million would come out of transit, although transit received none of the $1 billion in extra funding from last year (see discussion below).

The budget also proposes rescissions of $3.2 billion (the same amount rescinded in the 2008 appropriations law) and, in addition, to rescind $284 million of unused money from earmarked projects in the two previous federal transportation authorizations (the 1991 "ISTEA" law and the 1998 "TEA 21" law), as well as any project that has not spent at least 10 percent of its funds. The total of such unobligated projects from TEA 21 is believed to be about $626 million, but no list is currently available.

The proposed budget forecasts that the Highway Account of the Highway Trust Fund will exhaust its cash balance during FY 2009, and that the negative balance will be about $3.2 billion. To deal with this problem, the budget proposes that the Highway Account be allowed to borrow money from the Mass Transit Account, which is projected to have a negative cash balance itself in 2012.

Lastly, a very large rescission of over $8.5 billion is looming over the FY 2009 budget process. This provision was written into the SAFETEA law and will take place on September 30, 2009, unless the law is amended. The rescission is not reflected in these totals.

Transit Funding
The budget proposes a total of $10.1 billion in spending for the Federal Transit Administration in 2009, an increase of $644 million over amounts in 2008. The biggest account, the formula and bus portions of the budget, receives the precise amount of obligation limitation prescribed by SAFETEA — $8.4 billion, which is a $593 million increase (7.6 percent) over FY 2008.

The other three FTA accounts are funded from the general fund, not the Highway Trust Fund, and the budget has traditionally taken greater leeway with those accounts. Collectively, those accounts are about $200 million below the amount authorized by SAFETEA due to the $200 million reduction taken by the White House to compensate for the extra $1 billion in 2008 bridge funding.

The biggest general fund account is Capital Investment Grants (also known as New Starts). The budget proposes $1.6 billion for that account in 2009, an increase of $51 million, or 3.3 percent, over the 2008 level. SAFETEA had authorized $1.8 billion for this account in 2009.

Amtrak
As it has for several years running, the White House is proposing large cuts in federal subsidies. In 2008, Congress approved a total of $1.3 billion in Amtrak subsidies — $850 million for capital and debt service, and $475 million in operating subsidies. The Administration's budget proposes a total of $800 million, a 40 percent cut. The Administration proposes $525 million for capital and debt service grants, and $275 million for "efficiency incentive grants" that would take the place of direct operating subsidies, and would give the Secretary of Transportation a significant say in whether and how funds are transferred to Amtrak.

Transit Security
Last year Congress passed a multi-year $3.4 billion authorization for public transit security as part of 9/11 Commission recommendation. Of the $650 million authorized for 2008, Congress appropriated $389 million. For FY 2009, Congress has authorized $750 million while the President's budget has included only $175 million.

Steve Heminger